

**For Immediate Release
June 11, 2008****Contact: NR 37-08-C
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916-327-8988****Judy Chu Announces Flavored Malt Beverages to be Taxed as Distilled Spirits***Office of Administrative Law Approves Regulatory Changes*

Judy Chu, Ph.D., Chair of the State Board of Equalization (BOE), announced today that the Office of Administrative Law (OAL) has approved the BOE's regulations allowing flavored malt beverages to be taxed as distilled spirits rather than beer.

The Board approved the regulations on April 8, 2008, to clarify the definition of "distilled spirits" under the Alcoholic Beverage Tax Law. OAL approval deems the regulations effective and they will be fully implemented by BOE October 1, 2008. Beginning in October, flavored malt beverages will be taxed at the distilled spirits rate of \$3.30 per gallon rather than at the beer rate of \$0.20 per gallon.

"I believe that the ultimate effect of this regulatory change will be positive", said Chu. "It will send a signal to youth that alcopops are hard liquor - because these drinks will now have costs that are similar to hard liquor. It will make it harder for young people to access alcopops, and that can only be helpful in reducing underage drinking."

The new regulations create a "rebuttable" presumption that all non-wine alcoholic beverages, including flavored malt beverages, will be taxed at the higher rate. Manufacturers have the obligation to prove their product does not meet the definition of a distilled spirit. OAL approval on June 10, 2008 allows the manufacturer to argue their products do not meet the new definition effective immediately. The regulations will be fully operative and the higher taxation rate will begin on October 1, 2008.

Notices will be sent by the BOE to all retailers, manufacturers, and others involved in the sale and distribution of alcoholic beverages notifying them all non-wine alcoholic beverages (including flavored malt beverages) sold in California will be taxed as distilled spirits. The BOE has also contacted all those involved in the sale and distribution of alcoholic beverages requesting a complete list of all alcoholic beverages they manufacture, import, or distribute within California. It will be presumed these beverages are to be classified and taxed as distilled spirits unless the manufacturer successfully rebuts that presumption.

This regulatory change requires that the BOE establish and maintain on its Internet website a listing of alcoholic beverages whose manufacturers have successfully argued that their product does not meet the definition of a distilled spirit. Product information is being compiled and will be available on the BOE's [Flavored Malt Beverages Webpage](#).

BOE staff [estimates](#) that this change will bring in \$41.4 million annually in combined sales and excise taxes.

Chair Judy Chu represents the Fourth Board of Equalization District, which includes Los Angeles County. She won election to the BOE in November 2006 and was elected Chair of the Board of Equalization in January 2008. Chair Judy Chu is also a voting member of the Franchise Tax Board.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes

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